

THE AUDIT PROCESS

AUDIT REPORT REFERENCING

APPROVAL/TRANSMITTAL

This manual section provides policy and procedures for the audit referencing of performance and financial audits. This supersedes IG-7323, dated March 31, 1993. Remove and destroy previous editions.

ROGER C. VIADERO
Inspector General

TABLE OF CONTENTS

	<u>Page</u>
A. BACKGROUND	1
B. POLICY	1
C. PROCEDURES	2
Exhibit A Checklist for Referencing Audits/Evaluations	
Exhibit A-1 Financial Audits -- Additional Checklist for Referencing Financial Statement Audit Reports	
Exhibit A-2 Financial Audits -- Additional Checklist for Referencing SAS 70 Audits	
Exhibit B Referencer's Comment Sheet	
Exhibit C Referencer's Verification of Resolution	

A. BACKGROUND. Referencing is an independent examination and verification of the quality of the audit/evaluation report and the work performed. This manual section describes the method and process for performing a referencing review. For purposes of performing referencing of a financial statement audit, the "report" is defined as including the report of the OIG (audit opinion), the report on internal control structure, and the report on compliance with laws and regulations.

Referencing is an important part of the overall quality control system of OIG. Referencing is an analytical, as well as validation, process. Although steps are specifically designed to trace and agree facts, figures, dates, etc., from workpapers to reports, and from one section of a report to another, procedures also call for assessments of critical audit assertions, such as the adequacy of evidence and reasonableness of conclusions.

B. POLICY

1. Referencing is to be conducted on all audit and evaluation reports and is in addition to, but does not supplant, supervisory review of reports and workpapers in advance of referencing. The additional provisions and requirements of the Government Auditing Standards, or the Quality Standards for Inspections, promulgated in other OIG directives, but not specifically tested by this referencing methodology, are to be met throughout the course of the review and addressed during the overall quality control process. In addition, OIG's independently performed Quality Assessment Reviews provide an integral internal control to foster reasonable assurance that standards are consistently achieved. Referencing, therefore, is an incremental segment of quality control but should not be construed as all encompassing.

2. The examination is to be conducted by a referencing team composed of an ARIG, a senior auditor, and other audit staff as deemed necessary who were not involved with the audit under review. The referencing ARIG is responsible directly to the RIG for ensuring the careful and thorough performance of the referencing function.

3. The referencing process will not be initiated until the ARIG responsible for the audit has ensured that the workpapers are in order and that the draft report is accurate, complete, and properly cross-referenced to the workpapers. The ARIG and the lead auditor will note on exhibits A, A-1, and/or A-2 that the audit is ready to be referenced.

4. The criteria to be used by the referencing team are the requirements set forth in the IGM's. The referencing team must be alert to, and report on, any instances of noncompliance with any of the IGM's.

(B)

5. Referencing should be conducted (a) prior to the issuance of the discussion draft report, and (b) prior to the issuance of the final report, if necessary. The referencing of the final report will be limited to addressing substantive changes that were made to the report since it was last referenced. The audit ARIG is responsible for bringing substantive changes to the attention of the RIG. The RIG will then determine if a follow-on referencing job is warranted. If so, the referencing ARIG will ensure its effective and timely completion, to include a determination of whether the "critical data analysis" steps need to be reaccomplished (e.g., if new findings have been added or existing findings and recommendations materially revised).

Although a matter of judgment, a "substantive change" should basically be viewed as any revision which affects the accuracy of the data reported, conclusion reached, or recommendations made. In many cases, data in reports change after the draft is issued. Findings are often adjusted based on the auditee's comments or to rebut the auditee's nonconcurrences, at times introducing new data in the rebuttal.

6. The AIG may require a special referencing review to be conducted on any report. These review teams will be under the direct supervision of the AIG, be composed of auditors from other regional offices, and will perform specific tests and examinations directed by the AIG. The review process and results will be documented, and the review results will be discussed with regional management. The AIG will provide the review team with directions on resolving and communicating the review results.

C. PROCEDURES.

1. The formats for documenting and resolving the results of referencing reviews are attached as follows:

- | | |
|-------------|--|
| Exhibit A | - Checklist for Referencing Audits/Evaluations |
| Exhibit A-1 | - Financial Audits -- Additional Checklist for Referencing Financial Statement Audit Reports |
| Exhibit A-2 | - Additional Checklist for Referencing SAS 70 Audits |
| Exhibit B | - Referencer's Comment and Resolution Sheet |
| Exhibit C | - Referencer's Verification of Resolution |

(C)

2. The referencing process should be initiated through the convention of the RIG, the audit team, and the referencing team. The audit team should discuss the work performed and the report in general. The RIG should provide any specialized instructions to the referencing team.

3. The referencing ARIG is then to give the report a "cold read," and draw an overall substantive conclusion regarding the quality of the report. Broadly, the objectives are to determine if the findings are significant, supported, and make a persuasive and convincing case that the auditee needs to change its operation. In addition, the recommendations should be assessed to determine if they are reasonable, achievable, and cost beneficial in light of the findings. Issues arising from this review should be discussed with the audit ARIG immediately and changes made accordingly. If so, the referencing process would be suspended at this juncture until the report has been revised. The RIG should become involved as needed.

4. The critical data analysis segment of the referencing review should be performed by a senior auditor; the data verification and validation segment can be handled by a GS-12 or below under the direction of the senior. The referencing checklist is segmented accordingly.

5. The referencing ARIG is responsible for ensuring the completion of the quality control review of the audit's statistical sampling (see step B8g) and that the documentation is in the referencing file.

6. At the completion of the referencing review, the referencing ARIG will sign and date the checklist. The audit and referencing teams shall then meet with the RIG to discuss the results of the review. The RIG may dictate immediate corrective action or allow the resolution process to unfold in accordance with the subsequent steps.

7. All items noted during the referencing review which require corrective action will be recorded on the attached exhibit B. The lead auditor shall document on exhibit B agreement or disagreement with the referencing auditor's comments. If there is agreement, the lead auditor should, with the concurrence of the audit ARIG, make the requested changes to the report.

8. If the lead auditor disagrees with the referencing comments, with the concurrence of the audit ARIG, the reasons will be documented and the file returned to the referencing team. The referencing ARIG shall review the response and determine whether the actions, or reasons for not taking actions, are appropriate given the referencing comments. The Referencer's Verification of Resolution on the attached exhibit C will then be executed.

(C)

9. If the unresolved items continue, the referencing ARIG should discuss them with the audit ARIG who will resolve them or document on exhibit C the basis for the disagreement, and sign and date the form.

10. The referencing file will then be provided to the RIG, who shall review the referencing file, make and document a final decision regarding the unresolved comments, sign and date exhibit C, and return the referencing file to the audit ARIG for appropriate action.

oOo

CHECKLIST FOR REFERENCING AUDITS/EVALUATIONS

AUDIT/EVALUATION NO. _____
TITLE _____

I have reviewed the report and workpapers and determined that they are ready to be referenced.

_____ Senior Auditor	_____ Date
_____ ARIG	_____ Date

Referencing Date

Discussion Draft _____	<u>Referencer Response</u>
Final Report _____	<u>Yes</u> <u>No *</u> <u>N/A**</u>

A. CRITICAL DATA ANALYSIS OF THE REPORT (Senior Auditor's Responsibility)

1. Executive Summary. The Executive Summary stands alone, concisely presents a persuasive case to the high level reader that significant problems exist, proposes meaningful recommendations, and properly summarizes the remainder of the report. _____
2. Introduction
 - a. The Background provides information that the reader needs to understand the report and shows the nature, purpose, and size, of the entity's responsibilities and operations, key legislative requirements, and organizational data. It also shows any significant constraints and unusual circumstances or events that affected the entity's operations. _____1/
 - b. The Objectives clearly depict what was assessed and what was to be determined by the audit; they are specific enough to present the audit in a clearly focused, defined, and segmented manner. _____

* All "No" responses require a comment by the Referencer.

** All "N/A" responses require an explanation by the Referencer.

1/ Does not apply to financial statement audits or SAS 70 audits.

Referencer Response		
Yes	No *	N/A **

c. The Scope:

(1) Relates the program universe to what was audited in order to place audit coverage into perspective.

(2) Identifies the significant internal controls assessed and the extent of the assessment (when the audit objectives include an evaluation of internal controls).

(3) Describes the extent of systems testing (general and application controls or alternative data reliability tests) when computer-based data was relied upon.

(4) Describes the universe and sample design or explains the basis for judgmental selections, including any bias and problems in data quality.

d. The Methodology describes how the audit evidence was obtained, and what was reviewed, assessed, and/or analyzed.

3. Findings and Recommendations

a. The titles of the chapters identify the problem(s) being reported.

b. The condition, cause, effect, and criteria are clearly and concisely stated. Auditor developed criteria is based upon authoritative sources.

c. The sample (or judgmental selection) and the related universe of the program, operation, or activity are shown in order to place the finding in proper perspective. The methodology used to develop the finding is described.

	<u>Referencer Response</u>		
	<u>Yes</u>	<u>No *</u>	<u>N/A **</u>
d. The findings contain sufficient, competent, and relevant evidence.	_____	_____	_____
e. Conclusions are reasonable and appropriate, given the audit disclosures. A convincing case is made that the report's recommendations should be enacted.	_____	_____	_____
f. Critical audit assertions are reasonable and supportable. These assertions are statements of fact which are integral to the audit findings.	_____	_____	_____
g. The classification of an internal control weakness or accounting system nonconformance as "material" is reasonable. A weakness not so classified (<u>i.e.</u> , "immaterial") is also reasonable.	_____	_____	_____
h. Internal controls not prescribed, inadequate as prescribed, or adequate but not functioning as prescribed are noted when attributable to an adverse condition.	_____	_____	_____
i. Effect, using statistical projections or other monetary values, is fair and not misleading. Statistical estimates show sampling precision.	_____	_____	_____
j. The tone of the report encourages favorable reaction to findings and recommendations.	_____	_____	_____
k. Corrective action taken or planned during the audit has been reported. If additional action is required, it is described.	_____	_____	_____
l. Issues disclosed by the auditee to the auditor have been so recognized.	_____	_____	_____
m. Attribution is provided for all testimonial evidence. _____	_____	_____	_____

Exhibit A(4)
of IG-7323

Referencer Response		
Yes	No *	N/A **

- n. Recommendations convey the proposed solution to the causes of the conditions presented in the findings and are sufficiently detailed in order to facilitate final action.

B. DATA VERIFICATION AND VALIDATION OF THE REPORT AND WORKPAPERS (Auditor's Responsibility)

1. Headings in the Table of Contents agree with headings in the body of the report and sections begin on the pages indicated.
2. Report sections and exhibits agree with and are in proper order and format as prescribed in IGMs.
3. All objectives identified in the scope are accounted for in the report, with either positive comments or audit findings.

_____ 1/

4. Scope

- a. Shows the name and location of the auditee and the sites visited (or refers to an exhibit).
- b. Identifies programs, organizations, activities, and functions audited and shows the period of audit coverage, and when the audit was conducted.
- c. States whether the audit was made in accordance with appropriate standards, discloses any deviations, and includes statements of nonconformity. Discloses the scope limitations when the term "limited testing" is used.
- d. Refers to an exhibit if statistical sampling was used.

Referencer Response

Yes No * N/A **

5. Findings and Recommendations

- | | |
|---|-------|
| a. Lengthy or complex regulatory citations are paraphrased and footnoted. | _____ |
| b. If material internal control weaknesses or significant accounting system nonconformances are disclosed, a statement is made that the weakness/nonconformance should be included in the agency's upcoming FMFIA report. | _____ |
| c. The use of names or other identifiers in the report are dealt with properly. | _____ |
| d. Mathematical computations in the report are correct. | _____ |
| e. Recommendations are placed at the end of each chapter and are sequentially numbered. | _____ |
| f. If appropriate, a glossary of terms has been included to explain technical terms. | _____ |

6. Exhibits

- | | |
|---|-------|
| a. Contain descriptive titles so that the reader can clearly understand what is presented. | _____ |
| b. Are accurate, logical, orderly, clearly presented, and cross-referenced. | _____ |
| c. On exhibit A, Summary of Monetary Results, questioned items are properly identified and compatible with CAPTAIN definitions. Amounts can be reconciled to the details and amounts recommended for recovery can be reconciled to the recommendations. | _____ |

Exhibit A(6)
of IG-7323

	<u>Referencer Response</u>		
	<u>Yes</u>	<u>No *</u>	<u>N/A **</u>
7. Ensure consistency of statements, facts, figures, opinions, conclusions, et al., throughout all report sections.			
8. <u>Workpapers</u>			
a. The draft is cross-referenced to the workpapers, the summary workpapers to the detailed workpapers, and the workpapers to the program. Cross-referencing accurately identifies where the supporting documentation is located.			
b. The following can be traced and reconciled from the report to the workpapers:			
(1) Statements of fact			
(2) dates			
(3) figures			
(4) titles (to include regulatory, instructional, etc., citations)			
(5) quotations/paraphrases of policies/laws/regulations			
(6) dollar amounts			
(7) comments by the auditees			
c. Evidence of ongoing supervisory reviews, such as comment sheets, trip reports, memorandums of conversation, etc., is on file. Workpapers are properly and timely reviewed by supervisors.			
d. If a judgmental sample was authorized in the audit program, the selection process is clearly identified.			

Referencer Response

Yes No * N/A **

- e. If work of other auditors was relied on:
- (1) Inquiries were made into the professional qualifications and independence of the auditors and is evidenced in the workpapers. _____
- (2) The workpapers were reviewed. _____
- f. Computer-generated audit applications are documented in the workpapers including the type of hardware and software used, description of program logic and methodologies, and location of computer tapes, disks or listings containing input-output data. _____
- g. For reports where statistical sampling conclusions were used, evidence is on hand that the statistical quality control review has been completed and that an OIG statistician concurs in writing with the report's presentation of the statistical results. _____
- h. If Management Alerts were issued during the audit they were coded into CAPTAIN. _____
- i. Graphs, tables, and charts are used when practical in place of voluminous or complex narratives, and are appropriate, meaningful, and accurate. _____
- j. The adequacy of corrective action taken on prior audits was evaluated. _____
- k. Disclosure of material internal control weaknesses and/or accounting system nonconformances were provided to F&ADPO. _____
- l. Testimonial evidence critical to the report was corroborated, when possible, via documentary evidence. _____

Referencer Response		
Yes	No *	N/A **

- m. Written representation from the persons from whom testimonial evidence was obtained were secured when the evidence could not be otherwise corroborated.

C. REFERENCING OF THE FINAL REPORT

- 1. For changes to the final report that meet the criteria for referencing, the following should be traced and reconciled from the report to the workpapers:

- a. Facts
- b. dates
- c. figures
- d. titles (to include regulator, instructional, etc., citations)
- e. quotations/paraphrases of policies/laws/regulations
- f. dollar amounts
- g. comments by the auditees
- h. mathematical computations in the audit report are correct.

- 2. If a change is made to one section of the final report, it is consistently made to all other applicable sections.

- 3. The "agency response" section in the Findings and Recommendations section clearly describes the pertinent actions and timeframes proposed by the auditee. Agreement, or lack thereof, to the monetary results in exhibit A is disclosed. If the

Referencer Response

Yes No * N/A **

response is succinct, it should be reported verbatim.
If the reply is lengthy, it should be paraphrased or
summarized to depict only the pertinent action or
timeframes.

_____ 2/

4. The "OIG Position" section expresses OIG's acceptance of the management decision, if appropriate. If the agency has proposed an alternative action that is acceptable, OIG should recognize this in the statement of agreement. If OIG does not agree that the management decision is adequate, our position is specifically stated, to include rebuttal and what the agency needs to do to gain OIG's acceptance. Similarly, OIG's acceptance/rebuttal with the agency position on exhibit A is included.

_____ 2/

5. Critical data analysis steps have been reaccomplished, as needed.

2/ Agency responses are not attached to reports with audit opinions.

SIGNATURE OF REFERENCING ARIG

Draft Report

ARIG

Date

Final Report

Date

_____ ARIG

FINANCIAL AUDITS
ADDITIONAL CHECKLIST FOR REFERENCING FINANCIAL STATEMENT
AUDIT REPORTS

AUDIT NO. _____ TITLE _____

I have reviewed the audit report and workpapers and determined that they are ready to be referenced.

Auditor Date

ARIG Date

Referencing Date

Draft Report _____
Final Report _____

<u>Referencer Response</u>		
<u>Yes</u>	<u>No*</u>	<u>N/A**</u>

A. AUDITOR'S REPORT/OPINION

1. The auditor's report states whether the principal statements are presented in conformity with applicable accounting principles. _____
2. The principal statements are included and referred to in the auditor's report. _____
3. If the principal statements do not conform with generally accepted accounting principles (FED GAAP), the auditor's report:
 - a. States the basis of presentation of the principal statements. _____

* All "No" responses require a comment by the Referencer.

** All "N/A" responses require an explanation by the Referencer.

Exhibit A-1(2)
of IG-7323

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
	b. Expresses an opinion or disclaims an opinion on whether the principal statements are presented in conformity with the basis of accounting described.			
4.	The auditor's report makes reference to and covers all periods presented in the principal statements.			
5.	If there has been a change in accounting principles or in the method of the application having a material effect on the comparability of the principal statements:			
	a. The change is referred to in an explanatory paragraph of the report.			
	b. The nature of the changes is identified.			
	c. A note in the principal statements is referred to that discusses the change in detail or adequately discloses the nature of the change in an explanatory paragraph.			
6.	If the principal statements or the accompanying notes do not include all required disclosures <u>e.g.</u> , significant accounting policies, the report and the opinion are appropriately modified.			
7.	The auditor's report contains:			
	a. The title of the audit report, "Report of the Office of Inspector General?"			

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
b.	The appropriate addressee.	_____	_____	_____
c.	A statement that the principal statements identified in the report were audited. (See referencing step A11.)	_____	_____	_____
d.	A statement that the principal statements are the responsibility of the entity's management and that the auditor's responsibility is to express an opinion on the principal statements based on the audit. (See referencing step A11.)	_____	_____	_____
e.	A statement that the audit was conducted in accordance with Government auditing standards or the report states exceptions to in the case of a scope limitation. (See referencing step A11.)	_____	_____	_____
f.	A statement that generally accepted government auditing standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the principal statements are free of material misstatement. (See referencing step A11.)	_____	_____	_____
g.	A statement that an audit includes: examining on a test basis, evidence supporting the amounts and disclosures in the principal statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall principal statement presentation. (See referencing step A11.)	_____	_____	_____

Exhibit A-1(4)
of IG-7323

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
h.	A statement that the auditor believes that the audit provides a reasonable basis for the opinion. (See referencing step A11.)	_____	_____	_____
i.	An opinion as to whether the principal statements present fairly, in all material respects, the principal position of the entity as of the date of the principal statements for the period then ended in conformity with applicable accounting principles. (See referencing step A11.)	_____	_____	_____
j.	A date.	_____	_____	_____
8.	The auditor's report includes required disclosures in explanatory and opinion paragraphs for any of the following circumstances, if applicable, and for which a qualified, adverse, or disclaimer of opinion is not appropriate:			
a.	Opinions based in part on the report of another auditor.	_____	_____	_____
b.	Departures from prescribed accounting principles which, if reported otherwise, would result in misleading principal statements.	_____	_____	_____
c.	Uncertainties concerning future events.	_____	_____	_____
d.	The entity's inability to continue as a going concern.	_____	_____	_____
e.	Material changes in accounting principles.	_____	_____	_____

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
f.	Revised prior period principal statements.	_____	_____	_____
g.	Omission of financial data required by regulating agencies.	_____	_____	_____
h.	Other information which is inconsistent with the principal statements.	_____	_____	_____
9.	If applicable, the auditor's report includes substantive reasons in a separate explanatory paragraph(s), and appropriate qualifying language, and a reference to the explanatory paragraph(s) in the opinion paragraph for:			
a.	A lack of sufficient competent evidential matter or restrictions on the scope of the audit that should lead to a conclusion that an unqualified opinion cannot be expressed and the criteria for a disclaimer of opinion is not met. (See referencing step A11.)	_____	_____	_____
b.	Principal statements which contain a departure from applicable accounting principles, the effect of which is material, but which does not justify an adverse opinion. (See referencing step A11.)	_____	_____	_____
10.	If the principal statements taken as a whole are not presented fairly in conformity with applicable accounting principles, the auditor's report:			
a.	Contains an expression of an adverse opinion.	_____	_____	_____

Exhibit A-1(6)
of IG-7323

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
	b. Discloses in a separate explanatory paragraph(s) all reasons for the adverse opinion and the principal effects on the principal statements, if practicable.			
	c. Includes a direct reference in the opinion paragraph to a separate paragraph that discloses the basis for the adverse opinion.			
11.	If a disclaimer of opinion is issued on the principal statements, the report:			
	a. Includes an introductory paragraph which states that the auditor attempted to perform an audit, rather than stating that an audit was performed.			
	b. Omits the last sentence of the standard introductory paragraph since the auditor has not assumed the responsibility to express an opinion.			
	c. Describes the reason(s) for disclaiming an opinion and fully describe the circumstances in the explanatory paragraph(s).			
	d. Omits a discussion on audit procedures performed.			
	e. Cites material departures or inconsistencies in the application of FED GAAP or the stated basis of accounting. Such departures are appropriately described in a separate explanatory paragraph, if any were identified.			

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
f.	Includes in the opinion paragraph a reference to the scope limitation(s) described in the explanatory paragraphs and states explicitly that no opinion is expressed on the principal statements.	_____	_____	_____
C. <u>REPORT ON INTERNAL CONTROL STRUCTURE</u>				
1.	The auditors reported on their understanding of the entity's internal control structure and the assessment of control risk.	_____	_____	_____
2.	The auditor's report on internal control contains:			
a.	A statement that the auditor has audited the principal statements and a reference to the auditor's report on the principal statements. (See referencing step A11.)	_____	_____	_____
b.	A statement that the audit was conducted in accordance with <u>Government Auditing Standards</u> . (See referencing step A11.)	_____	_____	_____
c.	A statement that in planning and performing the audit of the principal statements, the auditor considered the entity's internal control structure in order to determine the auditing procedures for purposes of expressing an opinion on the principal statements and not provide assurance on the internal control structure. (See referencing step A11.)	_____	_____	_____

Exhibit A-1(8)
of IG-7323

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
d.	A statement that the establishment and maintenance of the internal control structure are the responsibilities of management.	_____	_____	_____
e.	An explanation of the broad objectives and inherent limitations of any internal control system.	_____	_____	_____
f.	A description of the entity's significant internal control structure policies and procedures categories considered as part of the auditor's understanding of the structure.	_____	_____	_____
g.	A description of the scope of the auditor's work stating that the auditor obtained an understanding of the design of relevant policies and procedures and whether those policies and procedures have been placed in operation, and control risk assessed.	_____	_____	_____
h.	The definition of reportable conditions, and a description of the reportable conditions noted.	_____	_____	_____
i.	The definition of material weaknesses.	_____	_____	_____
j.	A statement about whether the auditor believes any of the reportable conditions described in the report are material weaknesses, and if they are, identifies the material weaknesses noted.	_____	_____	_____

	<u>Referencer Response</u>		
	<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
k. Include a disclaimer that the consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions or material weaknesses.	_____	_____	_____
l. Other statements as required by OMB guidance to include appropriate discussion of the agency's Federal Managers' Financial Integrity Act submissions and auditors' concurrence or nonconcurrence with the agency's determination.	_____	_____	_____
3. If other conditions were reported in a separate communication (management letter), such conditions were referred to in the report on internal controls.	_____	_____	_____
 D. <u>REPORT ON COMPLIANCE</u>			
1. The auditor's report on the entity's compliance with laws and regulations includes:			
a. A statement that the auditor has audited the principal statements, and a reference to the auditor's report on the principal statements. (See referencing step A11.)	_____	_____	_____
b. A statement that the audit was conducted in accordance with government auditing standards. (See referencing step A11.)	_____	_____	_____
c. A statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the principal statements are free of material misstatement. (See referencing step A11.)	_____	_____	_____

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
d.	A statement that management is responsible for compliance with laws and regulations.			
e.	A statement that, as part of obtaining reasonable assurance about whether the principal statements are free of material misstatement, the auditor performed tests of compliance with certain provisions of laws and regulations.			
f.	A statement that the auditor's objective was not to provide an opinion on overall compliance with such provisions.			
2.	When reporting noncompliance, the auditor's report on compliance includes:			
a.	The definition of material instances of noncompliance.			
b.	An identification of material instances of noncompliance noted.			
c.	A statement that the noncompliance noted was considered in forming an opinion on whether the entity's principal statements are presented fairly, in all material respects, in conformity with applicable accounting principles.			
3.	In presenting findings on noncompliance, the auditors described the noncompliance fully, include adequate data to place the finding in proper perspective, state the effect (if determinable), and include recommendations as appropriate.			

	<u>Referencer Response</u>		
	<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
4. If the other nonmaterial instances of noncompliance were reported in a separate communication (management letter), such instances were referred to in the report on compliance.	_____	_____	_____
5. If the auditors became aware of illegal acts or indications of such acts when auditing a government entity, the auditors promptly reported the evidence to the appropriate official of the auditee (unless the official is believed to be a party to such acts or otherwise implicated).	_____	_____	_____

E. OTHER REQUIREMENTS

1. Cross-referenced workpapers document that a lead schedule supports the account balance, if applicable, and the auditor and ARIG have agreed with and signed off on the auditor's conclusion.	_____	_____	_____
2. If the report indicates a scope limitation/ restriction, and/or if the opinion is qualified, or includes matters of emphasis, the workpapers provide support for the opinion.	_____	_____	_____
3. A summary of proposed audit adjustments has been prepared by the auditors and reviewed by SA and ARIG.	_____	_____	_____
4. The auditors obtained a representation letter from the auditee in accordance with SAS requirements.	_____	_____	_____
5. The auditors obtained a letter from the auditee's lawyer concerning litigation claims and assessments.	_____	_____	_____

Exhibit A-1(12)
of IG-7323

	<u>Referencer Response</u>		
	<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
6. Issue Papers have been provided to the auditee as required by IG-7315.			
7. If Issue Papers were used during the audit, their results were included in the draft report, if material, unless appropriate adjustments were made by the auditee.			

SIGNATURE OF REFERENCERS

Draft Report

_____	_____
Auditor	Date

Final Report

_____	_____
Auditor	Date

FINANCIAL AUDITS
ADDITIONAL CHECKLIST FOR REFERENCING SAS 70 AUDITS

AUDIT NO. _____ TITLE _____

I have reviewed the audit report and workpapers and determined that they are ready to be referenced.

Auditor Date

ARIG Date

Referencing Date

Draft Report _____
Final Report _____

Referencer Response
Yes No* N/A**

A. AUDITOR'S REPORT/OPINION

For Type I Report

1. The report includes:

- | | | | |
|--|-------|-------|-------|
| a. A specific reference to the applications, services, products, or other aspects of the service organization covered. | _____ | _____ | _____ |
| b. A description of the scope and nature of the service auditor's procedures. | _____ | _____ | _____ |
| c. Identification of the party specifying the control objectives. | _____ | _____ | _____ |

Exhibit A-2(2)
of IG-7323

<u>Referencer Response</u>		
<u>Yes</u>	<u>No*</u>	<u>N/A**</u>

- d. An indication that the purpose of the service auditor's engagement was to obtain reasonable assurance about whether (1) the service organization's description presents fairly, in all material respects, the aspects of the service organization's policies and procedures that may be relevant to a user organization's internal control structure, (2) the policies and procedures were suitably designed to achieve specified control objectives, and (3) such policies and procedures had been placed in operation as of a specific date.
- e. A disclaimer of opinion on the operating effectiveness of the policies and procedures.
- f. The service auditor's opinion on whether the description presents fairly, in all material respects, the relevant aspects of the service organization's policies and procedures that had been placed in operation as of a specific date and whether in the service auditor's opinion, the policies and procedures were suitably designed to provide reasonable assurance that the specified control objectives would be achieved if those policies and procedures were complied with satisfactorily. (If a disclaimer of opinion is issued, refer to referencing step 2.)

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
g.	A statement of inherent limitations of the potential effectiveness of the policies and procedures at the service organization and of the risk of projecting to future periods any evaluation of the description.	_____	_____	_____
h.	Identification of the parties for whom the report is intended.	_____	_____	_____
2.	If a disclaimer of opinion is issued, the report:			
a.	Includes an introductory paragraph which states that the auditor attempted to perform an audit, rather than stating that an audit was performed.	_____	_____	_____
b.	Omits the last sentence of the standard introductory paragraph since the auditor has not assumed the responsibility to express an opinion.	_____	_____	_____
c.	States the reason(s) for disclaiming an opinion and fully describe the circumstances in the explanatory paragraph(s).	_____	_____	_____
d.	Omits a discussion on audit procedures performed.	_____	_____	_____
e.	Cites the reasons for the disclaimer in a separate explanatory paragraph.	_____	_____	_____
3.	If the auditor believes that the description is inaccurate or insufficiently complete for user auditors, the auditor's report so states and contains sufficient detail to provide user auditors with an appropriate understanding.	_____	_____	_____

Exhibit A-2(4)
of IG-7323

<u>Referencer Response</u>		
<u>Yes</u>	<u>No*</u>	<u>N/A**</u>

4. The report states whether the policies and procedures were suitably designed to achieve the specified control objectives.

_____	_____	_____
-------	-------	-------

For Type II Report

1. The report includes:

- a. A specific reference to the applications, services, products, or other aspects of the service organization covered.
- b. A description of the scope and nature of the auditor's procedures.
- c. Identification of the party specifying the control objectives.
- d. An indication that the purpose of the auditor's engagement was to obtain reasonable assurance about whether (1) the service organization's description presents fairly, in all material respects, the aspects of the service organization's policies and procedures that may be relevant to a user organization's internal control structure, (2) the policies and procedures were suitably designed to achieve specified control objectives, and (3) such policies and procedures had been placed in operation as of a specific date. (If a disclaimer of opinion is issued, refer to referencing step 2.)

_____	_____	_____
-------	-------	-------

_____	_____	_____
-------	-------	-------

_____	_____	_____
-------	-------	-------

_____	_____	_____
-------	-------	-------

	<u>Referencer Response</u>		
	<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
e. The auditor's opinion on whether the description presents fairly, in all material respects, the relevant aspects of the service organization's policies and procedures that had been placed in operation as of a specific data and whether in the service auditor's opinion, the policies and procedures were suitably designed to provide reasonable assurance that the specified control objectives would be achieved if those policies and procedures were complied with satisfactorily. (If a disclaimer of opinion is issued, refer to referencing step 2.)			
f. A reference to a description of tests of specified service organization policies and procedures designed to obtain evidence about the operating effectiveness of those policies and procedures in achieving specified control objectives. The description should include the policies and procedures that were tested, the control objectives the policies and procedures were intended to achieve; the tests applied, and results of the tests. The description should include an indication of the nature, timing and extent of the tests, as well as sufficient detail to enable user auditors to determine the effect of such tests on user auditors' assessments of control risk. To the extent that the service auditor identified causative factors for exceptions,			

Exhibit A-2(6)
of IG-7323

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
	determined the current status of corrective actions, or obtained other relevant qualitative information about exceptions noted, such information should be provided.	_____	_____	_____
g.	A statement of the period covered by the service auditor's report on the operating effectiveness of the specified policies and procedures.	_____	_____	_____
h.	The service auditor's opinion on whether the policies and procedures that were tested were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related control objectives were achieved during the period specified. (If a disclaimer of opinion is issued, refer to referencing step 2.)	_____	_____	_____
i.	When all of the control objectives listed in the description of policies and procedures placed in operation are not covered by tests of operating effectiveness, a statement that the service auditor does not express an opinion on control objectives not listed in the description of tests performed at the service organization.	_____	_____	_____

		<u>Referencer Response</u>		
		<u>Yes</u>	<u>No*</u>	<u>N/A**</u>
j.	A statement that the relative effectiveness and significance of specific service organization policies and procedures and their effect on assessments of control risk at user organizations are dependent on their interaction with the policies, procedures, and other factors present at individual user organizations.	_____	_____	_____
k.	A statement that the service auditor has performed no procedures to evaluate the effectiveness of policies and procedures at individual user organizations.	_____	_____	_____
l.	A statement of inherent limitations of the potential effectiveness of policies and procedures at the organization and of the risk of projecting to the future any evaluation of the description or any conclusions about the effectiveness of policies and procedures in achieving control objectives.	_____	_____	_____
C. <u>OTHER REQUIREMENTS</u>				
1.	If the report indicates a scope limitation/ restriction, and/or if the opinion is qualified, or includes matters of emphasis, the workpapers provide support for the opinion.	_____	_____	_____
2.	The auditors obtained a representation letter from the auditee.	_____	_____	_____

Referencer Response
Yes No* N/A**

3. If Issue Papers were used during the audit, their results were included in the draft report, as appropriate.

SIGNATURE OF REFERENCERS

Draft Report

Auditor

Date

Final Report

Auditor

Date

REFERENCER'S COMMENT SHEET

Reference Step No.	¹ Note No./ Page		Audit SA's Response		
			Agree & Corrected	Disagree	
		Referencer's Comments			Auditor's Comments

¹ Referencer: Number each comment listed on the Referencer's Comment Sheet. circle each number and record the audit report page number associated with the comment. Record and circle the corresponding comment number on the referenced copy of the audit report next to the matter being commented upon.

REFERENCER'S VERIFICATION OF RESOLUTION

Audit No.: _____ Title: _____

Discuss Draft _____ Final Report (If Required): _____

REFERENCING VERIFICATION:

I have verified that those items found during the referencing review of the above audit, which needed correcting, have been satisfactorily resolved as documented, and the report meets OIG requirements except as follows:

Signature (Referencer)

Date

Signature (Referencing ARIG)

Date

AUDIT ARIG COMMENTS:

ARIG

Date

RIG DECISION:

Comments/Action: _____

RIG

Date